

HT SPOTLIGHT

Corporate tax cut a bad gamble

FINANCIAL UNCERTAINTY Gross tax collections in 2019-20 were less than those in 2018-19; cuts fail to fuel growth

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NEW DELHI: The Indian economy, like the rest of the world, is facing an unprecedented disruption because of the Covid-19 pandemic. Everywhere, governments are acting to minimise the economic damage. The Narendra Modi government has also announced a package amounting to 10% of India's GDP, including past fiscal and monetary measures.

To be sure, fiscal stimulus in this package is just 1% of India's gross domestic product (GDP). This is lower than what most major economies have committed. Why did India hold back on the fiscal paddle? The Indian economy had been caught in a slowdown even before the pandemic hit. This made the case for a fiscal push even stronger.

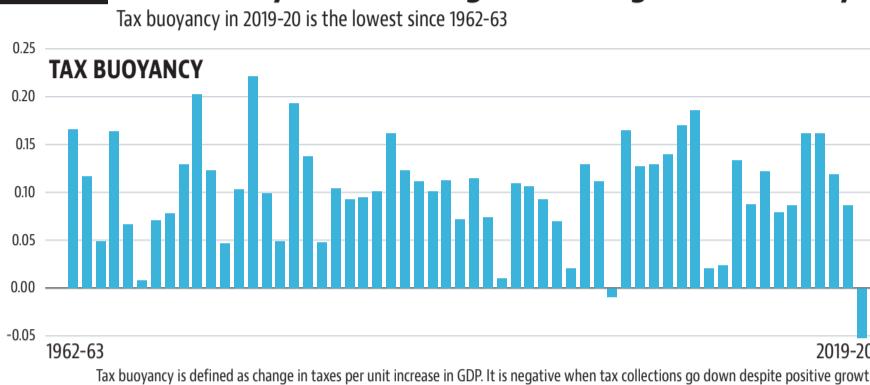
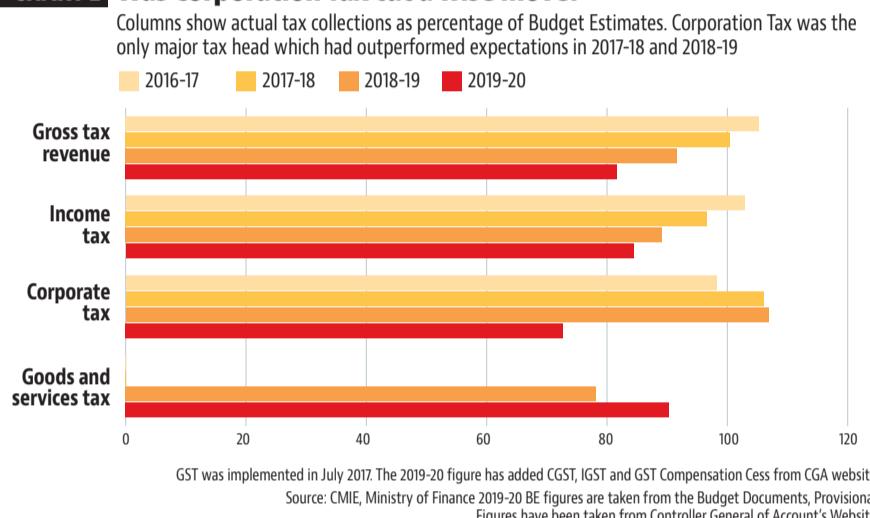
Statistics released by the ministry of finance give a hint to this otherwise perplexing question. India's revenue projection and collection abilities are facing an unprecedented crisis. Gross tax collections in 2019-20 were less than those in 2018-19. This is only the second instance since 1961-62 of tax collections having declined on a year-on-year basis. This is largely the result of what can be described as a bad gamble on corporation tax cuts to revive economic growth.

What makes it even worse is that the government did not see this coming until February. These figures raise serious questions on the government's tax buoyancy assumptions. Tax buoyancy is the additional revenue generated per unit increase in GDP. If tax collections went down when the economy was growing, they could suffer a huge fall when it is headed for a contraction. This also raises serious questions on assertions about decisions such as demonetisation and the Goods and Services Tax (GST) leading to a widening of the tax base.

On May 29, the Controller General of Accounts, which works under the ministry of finance, released provisional figures for 2019-20. They put gross tax collections in 2019-20

INDIA'S TAX MESS

2019-20 gross tax collections are lower than 2018-19. Corporation Tax cuts have the biggest responsibility.

CHART 1 Is India vastly overestimating its revenue generation ability?**CHART 2 Was Corporation Tax cut a wise move?**

at ₹20.09 lakh crore. This is lower than the ₹20.81 lakh crore collected in 2018-19.

The Centre for Monitoring Indian Economy (CMIE) database shows that it is only the second instance (after 2001-02) since 1961-62 that tax collection had fallen on a year-on-year basis. The 2019-20 provisional collections are just 81.7% of the Budget Estimates (BE) presented in July 2019.

One quarter of the year was already over when the govern-

ment presented its budget. They are 7% less than the Revised Estimate (RE) figures given in the 2020-21 Budget.

A look at tax buoyancy numbers paints a grimmer picture. In 2019-20 India's tax buoyancy was -0.05, the lowest since 1962-63.

In 2001-02, this value was -0.01. The data also shows that this is not an aberration. Tax buoyancy has been falling since 2016-17 onwards. (See Chart 1)

What explains the fall in tax

collections? The government announced a reduction in corporation tax rates in September last year.

It slashed corporate tax rates for domestic manufacturers from 30% to 22%, while for new manufacturing companies; the rate was reduced from 25% to 15% provided they do not claim any exemptions. This was expected to lead to a revenue loss of ₹1.45 lakh crore. This was justified on the grounds that the move will revive the economy.

The then revenue secretary Ajay Bhushan Pandey had said that the decision was "one of the biggest tax reforms ever undertaken by India—one that would not only encourage new investments by domestic as well as foreign investors but also motivate them to reinvest their profit" ([see https://bit.ly/2zI80lb](https://bit.ly/2zI80lb) for details).

The gamble seems to have backfired badly. The revenue loss is bigger than expected. BE for corporate tax collection was ₹7.66 lakh crore in 2019-20. The provisional figures are just ₹5.56 lakh crore, a shortfall of ₹2.09 lakh crore.

The investment scenario actually became worse. Gross fixed capital formation, which measures new investment activity, contracted 3.9% on a year-on-year basis in the quarter ending September 2019. It contracted at 5.2% and 6.5% in the quarters ending December 2019 and March 2020.

Even this does not explain the entire shortfall. Other major tax heads such as income tax and GST have also fallen significantly short of the 2019-20 BE figures. However, they are not less than the 2018-19 collections, unlike corporation tax.

CMIE data shows that income tax collection figures have been missing BE figures by an increasing margin since 2017-18. This raises serious questions about the efficacy of demonetisation in widening the direct tax base. GST collections have not been able to meet BE figures until now.

In fact, the only major revenue head which had over performed vis-a-vis BE targets in both 2017-18 and 2018-19 was corporation tax. Thanks to September's tax cuts, this item had the biggest shortfall in 2019-20. (See Chart 2)

Because of the pandemic, both growth and tax collections will face very strong headwinds. At a time when a fiscal push was most needed, the government has a huge tax crisis on its hands. And it has nobody but itself to blame for sacrificing the golden goose of corporation taxes in the false hope of boosting economic growth.

80% dip in infection risk for health staff on HCQ: Study

Rhythma Kaul

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NEW DELHI: As high as 80% of the health care workers (HCWs) on six or more prophylactic doses of the anti-malarial drug hydroxychloroquine (HCQ) were not infected by Sars-CoV-2, the virus that causes the coronavirus disease (Covid-19), according to a new pre-print study by the Indian Council of Medical Research (ICMR).

The study results were one of the driving factors behind India last week expanding the use of HCQ as a prophylactic drug beyond health care workers in Covid-19 hospitals and close contacts of a laboratory positive case to frontline workers such as surveillance workers deployed in containment zones, and paramilitary or police personnel involved in Covid-19 related activities, among others.

The results are based on a case control study for which participants were randomly drawn from the countrywide Covid-19 testing data portal maintained by ICMR. The test results and contact details of health care workers (HCWs), diagnosed as positive (cases) or negative (controls) for Sars-CoV-2 using the reverse transcription-polymerase chain

reaction (RT-PCR) test, were available from this database.

"The main conclusion that can be drawn after analyzing the data is that HCQ has beneficial effects in infection risk reduction from fourth dose onwards. The first loading dose of 800mg and then every week a dose of 400 mg for 4, 6 or more weeks as per your physician's advice will help cut the risk of infection by 80% in healthcare workers who are not already sick," says Dr Samiran Panda, director, ICMR-National AIDS Research Institute, the study co-author.

Data collection for this investigation was done during May 8-23. HCWs tested between the first week of April 2020 and the end of first week of May 2020

COVID TALLY CROSSES 22,000

1,149 cases, 13 deaths across TN

Agencies

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CHENNAI: In its highest ever single-day spike, Tamil Nadu reported over 1,000 Covid-19 cases on Sunday, as the overall tally zoomed past 22,000 with 173 fatalities so far. The record daily spike came

on a day when the state government extended the lockdown till June 30 with various relaxations, including partial resumption of public transport.

With 1,149 additional cases of coronavirus, the state's aggregate was at 22,333, according to a health department bulletin. As many as 13 deaths were reported. Of the new cases, 95 were pas-

sengers who arrived in the state through various modes of transport, the bulletin stated.

At present, the number of active cases, including those in isolation, is at 9,400. With 757 people being discharged on Sunday, the total number of recoveries in the state is 12,757.

Chennai showed no signs of reversing the curve, as the state capital topped the charts, reporting 804 new cases. The total in the city is now at 14,802.

According to the bulletin, 12,807 samples were tested at the 72 testing facilities in the state.

Those found Covid-19 positive include 729 men, 417 women and three transgenders.

At least 10 people from Chennai, including an 80-year-old man having Type-II diabetes and a 39-year-old woman, suffering from chronic kidney disease, were among those who died, as per the bulletin.

The three other patients who succumbed to the virus were from Madurai, Kancheepuram and Namakkal. Of the 173 deaths reported till date, Chennai has reported 129, followed by Chengalpattu and Thiruvallur, respectively.

**OFFICE OF ADDITIONAL CHIEF ENGINEER,
WATER RESOURCES ZONE, UDAIPUR**
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No.-ACE/Actt/DRIP-Gambhir/F/2020-21/6994 Dated 22.05.2020

INVITATION FOR BIDS

IFB NO. 04/2020-21

NIB NO. : WRD2021A0125

NAME OF WORK

Rehabilitation and improvement works of Gambhir Dam District Chittorgarh under Dam Rehabilitation and Improvement Project (DRIP) Phase-II (UBIN No. WRD2021WL0B00434)

ESTIMATED COST OF WORK

Rs. 1934.00 Lacs

AMOUNT OF BID SECURITY

Rs. 38.68 Lacs

PERIOD OF COMPLETION

24 Months including rainy season

COST OF BID DOCUMENT

Rs. 5000/-

PERIOD OF SALE OF BIDDING DOCUMENT

From 01.06.2020 to 01.07.2020

DATE, TIME AND PLACE OF PRE-BID MEETING

08.06.2020 Time 14:00 hours at Office of Additional Chief Engineer, Water Resources Zone, Udaipur

LAST DATE FOR RECEIPT OF BID (ONLINE UPLOAD)

02.07.2020 upto 16:00 hours

TIME AND DATE OF OPENING OF BIDS TECHNICAL PART

02.07.2020 at 17:30 hours

PLACE OF OPENING OF BIDS

Office of Additional Chief Engineer, Water Resources Zone, Udaipur

Details of NIT/BID document may be seen on website <http://eproc.rajasthan.gov.in>, www.diproline.org, www.sppr.raj.nic.in and it may be downloaded / uploaded from <http://www.waterrources.rajasthan.gov.in> and it may be downloaded / uploaded from <http://eproc.rajasthan.gov.in>.

Additional Chief Engineer
Water Resources Zone, Udaipur

DIPR/C/3693/2020

**GOVERNMENT OF CHHATTISGARH
WATER RESOURCES DEPARTMENT**
**OFFICE OF THE EXECUTIVE ENGINEER,
WATER RESOURCES DIVISION, MARWAHI**
DISTT.- GORELA-PENDRA-MARWAHI (C.G.)

e-Procurement Tender Notice
eProcurement Portal : <https://eproc.cgstate.gov.in>

(FIRST - CALL)
SYSTEM TENDER NO. 64007/NOTICE INVITING TENDER NO. 02/SAC/2020-21 Dated : 26.05.2020

Online Tenders are invited for the following works up to 15-06-2020 (17.30 hours IST).

System Tender No.	Group No.	Name of Work	Probable amount of contract
64007		CONSTRUCTION OF EARTHAN DAM FROM RD 0 M. TO 960 M., HEAD SLUICE, WASTE WEIR, SPILL CHANNEL AND EARTH WORK OF MAIN CANAL FROM RD 0 M. TO 4500 M. WITH 34 NOS. CANAL STRUCTURES OF RAJADH TANK SCHEME.	Rs. 823.18 Lakh

The details can be viewed & downloaded online directly from the Govt. of Chhattisgarh Integrated e-Procurement portal (<https://eproc.cgstate.gov.in>) from dated 01-06-2020 at 17.31 hours (IST) onwards.

Note : All eligible/interested contractors / bidders are mandated to get enrolled on the integrated e-Procurement portal (<https://eproc.cgstate.gov.in>) and get approval on specific vendor class from PWD under centralized contractor/supplier registration in order to download the tender documents and participate in the subsequent bidding process.

**EXECUTIVE ENGINEER
WATER RESOURCES DIVISION, MARWAHI (C.G.)**
For Chief Engineer
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Bilaspur (C.G.)

G-81119/3

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Corporate ID U40101UR2004G0102675 Tel. No. 0135-2642711

E-TENDER NOTICE

Power Transmission Corporation of Uttarakhand Limited invites E-Tender for "Construction of 220/33 KV GIS Substation Selaiqua, Dehradun" against tender specification No. PTCLUE-E-Tender/C&P-II/SS-02/2020-21. The last date submission of e-bid is 06.07.2020 upto 13:00 Hrs. For more details please visit e-tender website www.uktenders.gov.in (tender id no. 2020_PTCU4_23957_1) and for e-tender notice our website www.ptclu.org.

For any assistance on E-Tendering, please contact +91-8899890000

पत्रांक : 255/HQPU

Superintending Engineer (C&P-II)

पत्रांक : 30.05.2020

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